BRITISH COLUMBIA

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October 22, 1999

highlights

a weekly digest of recently released British Columbia statistics

The Economy

- **Exports of BC products increased for the thirteenth straight month in August, rising to 4.7% above the August 1998 level.** A 16.3% increase in forest product exports was a major factor in the continued improvement. International shipments of machinery and equipment (+12.2%) and automotive products (+39.6%) continued an expansion that began in mid-1998, but exports of energy products dropped 33.0%. Among the provinces, exports rose the most in PEI (+47.7%) and Ontario (+21.7%). Newfoundland (-23.6%) was the only province to post a decline. Canadian exports were 14.0% higher in August than in the same month last year.
  Source: Statistics Canada

- **Year-to-date, exports of BC products were 10.9% higher than in the first eight months of 1998, reflecting increased international shipments in all but two main export categories.** The exceptions were energy products (-6.5%) and industrial goods (-5.7%). The strongest export increase was for automotive products, which grew more than fifty percent (+53.2%). Forest product exports, which have risen at double-digit rates in all but one month this year, were up 15.9%, while machinery and equipment sales rose 14.4%.

  Canadian exports grew 11.2% in the first eight months of 1999, led by a 17.4% advance in Ontario. PEI (+16.8%), Nova Scotia (+16.0%) and BC (+10.9%) were the only other provinces to see double-digit increases. Exports were down in Newfoundland (-8.1%), Saskatchewan (-7.3%) and Manitoba (-0.9%). Alberta's exports rose only modestly (+1.7%), despite a recovery in the oil patch. Exports from the prairie provinces have been dampened by the effects of a bad year for farmers. *Source: Statistics Canada*

- **The improvement in BC's exports continued to be almost entirely due to increased shipments to the United States (+21.1%, year-to-date).** US-bound shipments of all major commodities were higher than in the first eight months of 1998. Exports to Japan, which had shown signs of recovering earlier in the year, fell again in August, and were down 6.9% year-to-date. Outside the US, South Korea (+17.7%) and China/Hong Kong (+6.1%) were the only major markets where the value of exports was higher than in 1998. *Source: BC STATS*

- **Retail sales fell 0.8% (seasonally adjusted) between July and August, as retail activity in the province continued to seesaw.** August's decline ended the latest growth spurt, which saw sales rise 0.6% in June and 1.2% in July. BC was the only province where sales did not improve in August. Nationally, they were up 1.2%, with Manitoba (+2.7%) posting the strongest gain. *Source: Statistics Canada*

- **Year-to-date, retail sales in the province were only marginally higher (+0.3%) than in the first eight months of 1998.** BC and Saskatchewan (-0.1%) were the only provinces where sales have been lacklustre so far this year. Canadian sales rose 4.9%, led by strong growth in PEI (+7.3%) and Ontario (+7.1%). Increases in other provinces ranged from 2.5% in Alberta to 6.6% in both Newfoundland and New Brunswick. *Source: Statistics Canada*

- **Wholesale sales in BC were down 0.5% (seasonally adjusted) in August after increasing in the three previous months.** Forest product wholesalers were affected by lower Ca-

Report **Export changes reduce resource dependency**

Did you know...

The average Canadian ate 121 kg of fruit and 183 kg of vegetables in 1998. That's three times the body weight of a 220 pound wrestler. Our favourite fruit was bananas (14 kg per person), followed by apples (12 kg) and oranges (10 kg). The lowly spud was by far the preferred vegetable (75 kg). We also put away an average of 15.2 dozen eggs and 12 kg of cheese.

nadian and US housing starts in August. Unusually hot weather slowed construction, causing a rise in inventory that resulted in depressed prices and slower sales. Total Canadian sales were up 1.4% in August. *Source: Statistics Canada*

Bankruptcies

- **There were 745 consumer bankruptcies in the province in June.** This was 6.1% less than in the same month last year. June's decline came on the heels of a 14.4% drop in May. Consumer bankruptcies in the province were abnormally high last May and June, following the introduction of more generous exemption levels for personal property on May 1st. The spike in the numbers for these two months of 1998 suggests that many individuals held off from making bankruptcy declarations in order to take advantage of the higher exemption levels when they took effect. *Source: Industry Canada & BC STATS*

- **Business bankruptcy statistics follow a similar pattern.** The number of bankruptcies was down 13.7% (to 88) in June, after falling 10.4% in the previous month. However, while the number of consumer bankruptcies has increased significantly since the beginning of the decade, business bankruptcies in the province remain lower than in 1991. *Source: Industry Canada & BC STATS*

Tourism

- **International traveller entries to British Columbia fell in August for the first time in nearly two and a half years.** They were down 4.0% from August 1998.

  Seasonally adjusted data indicate that visitor entries to BC have been slowing during most of 1999. Entries have dropped in all but one month since February. In August, they were 3.7% lower than in July. The main reason for this has been a slowdown in visitor entries from the US (-2.6%). US entries had reached record-high levels in 1998, as growing numbers of Americans travelled north of the border, lured in part by a falling loonie. With the advent of more stable exchange rates, it was almost inevitable that the rapid growth in the inflow of Americans would come to an end. The downturn in recent months reflects a return to more sustainable levels. Total travel to Canada from the US was also down in August. *Source: Statistics Canada & BC STATS*

Seafood Production

- **The wholesale value of seafood production in the province declined 10% in 1998, falling to $877 million (258,600 tonnes).** This was primarily due to lower catches of salmon and herring. During 1998, 30,200 tonnes of wild salmon with a wholesale value of $180 million were landed in the province. This compares to a catch of 48,700 tonnes, valued at $306 million, in the previous year. Herring production dropped to $105 million (23,700 tonnes). However, farmed salmon production rose to $245 million (42,300 tonnes). *Source: Ministry of Fisheries, 1998 BC Seafood Industry Year in Review*

Big Box Retailing

- **Big box retailers have gained a significant share of the Canadian market since they first appeared on the scene.** Big box stores selling musical instruments and records now account for 40% of total sales. Retailers of appliances and electronics have about a third of the market, while outlets selling sporting goods and bicylces account for a quarter of total sales. Although big box clothing stores haven't caught on with women (they rang up less than 5% of women's clothing sales in 1997), they're a force to be reckoned with in men's wear. A fifth of men's clothing sales are made at big box outlets.

  Despite substantial growth in big box retailing during the period from 1989 to 1997, there are signs that they may be reaching a plateau, as gains in market share have been slowing. It is unclear whether this is due to saturation of the market or if strategies such as personalized service and customer loyalty programs are helping "traditional" retailers maintain their market share. *Source: SC. Catalogue 63-016-XPB*

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For data originating from Statistics Canada: data sourced to 'Statistics Canada' has been retrieved from CANSIM, the agency's electronic database: otherwise the source is identified as 'SC' plus the publication name or catalogue number.

October 22, 1999

Infoline Report:

Export changes during the 1990s reduce resource dependency

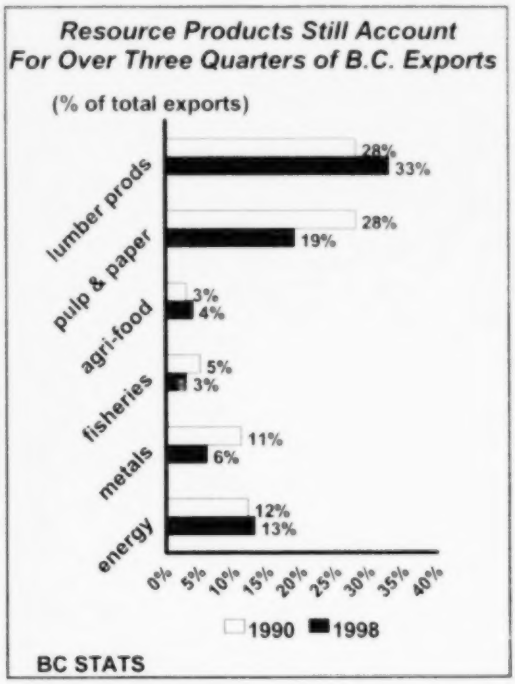
Contact: George Dufour / (250) 387-0376

Originally published in July 1999 issue, *Exports*. Annual subscription: $60 + GST

Note: All export statistics in this report refer to value of international merchandise (i.e. not services) trade only. The statistical valuation used is 'customs basis', which includes cost of domestic shipping. Merchandise export figures found in the British Columbia Economic Accounts are on 'balance of payments' basis and thus exclude the cost of domestic shipping and other associated services.

Canada has always relied heavily on its resource exports, and British Columbia has been one of the most resource dependent parts of Canada. In the past, abundant natural resources were often seen as guaranteeing a high standard of living for Canada. It was thought that Canadians needed only to harvest the natural bounty of a large land mass with reasonable efficiency to be assured of retaining their place among the richest nations in the world.

This notion has been largely discredited during the 1990s. Competition in international markets has grown as resource rich third world countries have established the political and legal stability needed to attract investment for new mines, mills, roads and ports. Chile, Brazil, Mexico, and Indonesia, among others, have developed into serious competitors for Canadian producers of forestry and mineral products. Other competition has appeared from efficient new producers in developed countries such as Sweden, Finland, Australia and New Zealand. More can be expected in the near future from Eastern Europe.



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These developments have added weight to arguments that Canada should lessen its reliance on resource exports, arguments that gained still more strength as the Canadian dollar sank in world money markets following the Asian economic crash. The dollar was bid down partly because the Canadian economy is still widely seen as being heavily dependent on exports of resource commodities.

This perception is no longer accurate for Ontario and Quebec. But it is still very true for British Columbia and most other provinces. The large secondary manufacturing exports of the central Canadian provinces have brought the resource product ratio for exports from Canada as a whole down to 35 per cent, a figure that could understate the importance of resource exports throughout most of the country.

In 1998, 77 per cent of British Columbia's export revenues were derived from forestry, mining, energy products, agriculture or fishing. While still a very large proportion, this is considerably less than the 88 per cent of exports based on resource production in 1990.

The 1990s have also brought important changes in the types of resource based products being shipped from British Columbia. The 77 per cent of exports that were resource based in 1998 included more processed goods and proportionately fewer raw or semi-processed commodities.

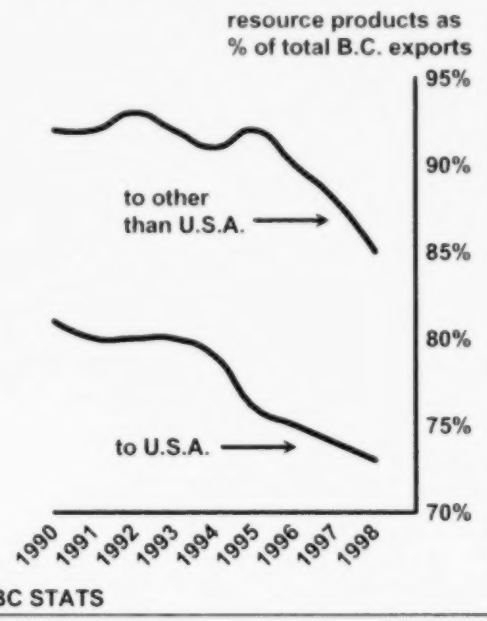
Similar patterns have been observed for other provinces. But British Columbia has been shedding its resource dependency faster than most. At the beginning of the decade no other province included such a large portion of resource products in its export mix. By 1998, the proportion of

British Columbia's exports that were resource based was no greater than Alberta's, and less than for any maritime province except Nova Scotia.

However, it was still much higher than in Ontario (12 per cent), Quebec (37 per cent) or Manitoba (60 per cent).

Export diversification in British Columbia has mainly stemmed from improvements in the value added content of exports to the United States. The resource based portion of exports to the United States shrank from 81 per cent in 1990, to 73 per cent in 1998. The resource based portion of exports to other major international markets has always been much higher. It has been shrinking during the 1990s, but more slowly than the ratio for exports to the United States.

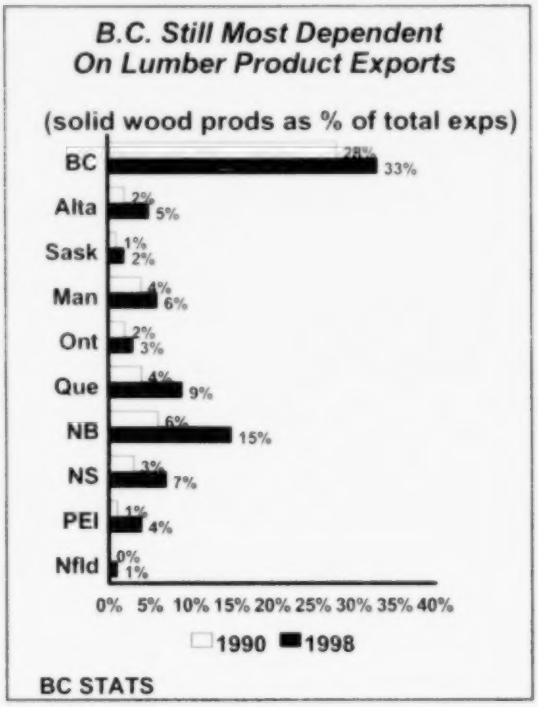
Exports to U.S. Depend Less On Natural Resource Products



For example, the resource based portion of British Columbia exports to Japan (the province's second most important export market) was 96 per cent in 1990, 15 percentage points higher than for exports to the United States. As the portion of resource based products included in exports to the United States fell 8 percentage points to 73 per cent between 1990 and 1998, the resource product component of exports to Japan slipped only two percentage points, to 94 per cent.

Similarly for exports to the European Union, the ratio of resource products has remained stubbornly high. Between 1990 and 1998, it declined only 3 percentage points, from 93 per cent to 90 per cent.

B.C. Still Heavily Committed to Lumber Product Exports



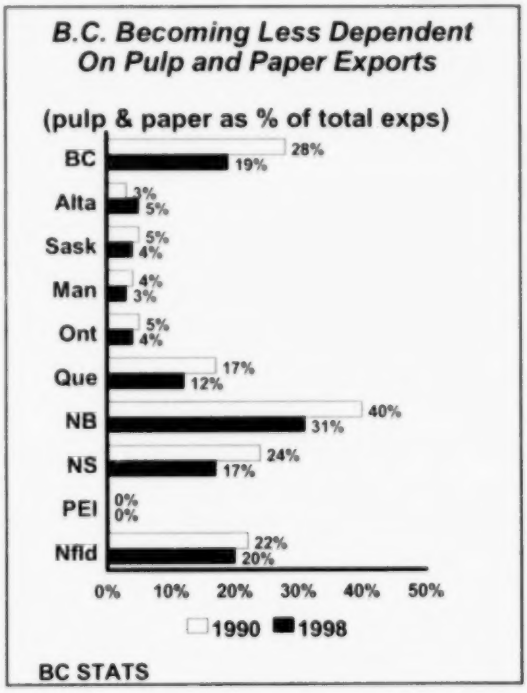
British Columbia includes substantially more solid wood products in its export mix than any other province. This will eventually change if export trends of the 1990s continue. Solid wood exports from British Columbia grew a relatively modest 82 per cent between 1990 and 1998, a slower rate of increase than for any other province, and much less than the Canadian average of 176 per cent. Yet there is a long way to go before British Columbia is no more dependent on lumber product exports than the rest of Canada. Solid wood products still accounted for 33 per cent of British Columbia exports in 1998, as compared to 7 per cent for Canada as a whole.

This degree of concentration has exposed the provincial economy to price and demand swings on increasingly global world lumber markets. Some progress has been made to reduce this vulnerability by expanding the range of wood products being exported. The shift has been mainly from sawn lumber to various types of value added wood products. As lumber exports shrank from 80 per cent to 75 per cent of all solid wood exports between 1990 and 1998, value added wood exports increased from 6 per cent to 11 per cent.

Pulp and Paper Products Less Prominent In Export Mix

British Columbia began the decade with 28 per cent of its export mix concentrated in pulp and paper products, the same proportion as was concentrated in solid wood products. By 1998, the portion that were pulp and paper products had slipped to 19 per cent, as the portion concentrated in wood products had grown to 33 per cent.

Following the same pattern observed for solid wood products, exports of pulp and paper grew at a slower pace in British Columbia than in any other province. They increased only 5 per cent between 1990 and 1998. For Canada as a whole the rate of growth was 45 per cent between these years.



Again following the same pattern as solid wood product exports, pulp and paper exports have

come to include more value added than they did at the beginning of the decade. While exports of pulp declined 10 per cent and exports of newspaper (a less refined paper product) declined 27 per cent, exports of relatively more processed paper products from British Columbia grew 194 per cent There was also a 110 per cent increase in the value of miscellaneous paper product exports including boxes, cartons, etc.

Agriculture Emerging As Promising Source of Export Revenue

Agriculture and agricultural food products make up a small but growing portion of British Columbia's export mix – 4 per cent in 1998, up from 3 per cent in 1990.
Agriculture ranks as a far more important industry in the export trade of the three prairie provinces and Prince Edward Island than it does in British Columbia. Agricultural products accounted for 15 per cent of Alberta's exports, 47 per cent of Saskatchewan's, 34 per cent of Manitoba's, and 47 per cent of Prince Edward Island's.

However, some of the fastest growth rates for exports of agricultural products have been for provinces such as British Columbia, in which agriculture has not as yet become a major industry on the scale of forestry or energy products. British Columbia's agricultural product exports grew 122 per cent between 1990 and 1998. Other fast provincial growth rates included 164 per cent for Ontario and 143 per cent for Quebec. The Canadian average was 115 per cent.

For British Columbia at least, agricultural growth in the 1990s has been concentrated in a relatively few crops that have been changing the composition of its agricultural exports. Prominent among these have been greenhouse vegetables, nursery plants, ginseng, cranberries, mushrooms, and wine grapes.

Fisheries Products

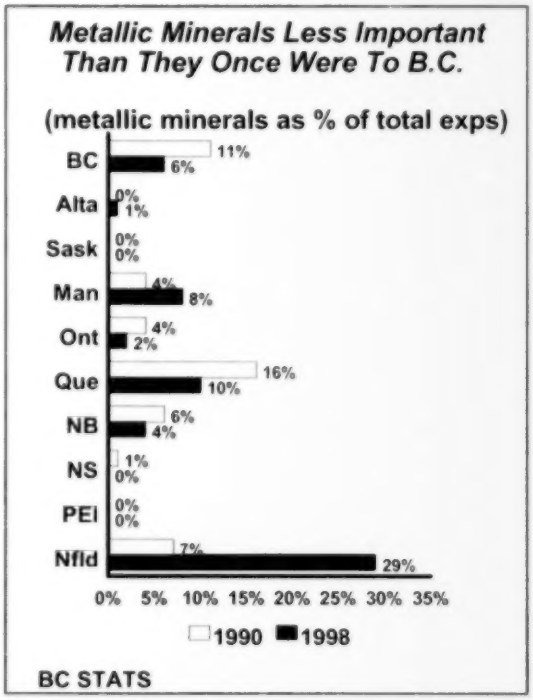
Fishery products account for a small and still shrinking part of British Columbia international exports. In 1998, fish product exports ranging from salmon to oysters and prawns, amounted to only 3 per cent of total British Columbia exports, down from 5 per cent in 1990.

Fishery products were far more prominent in the export mixes of the Maritime provinces. Fishery products of one sort or another accounted for 28 per cent of Prince Edward Island exports, 26 per cent of Nova Scotia exports, 18 per cent of Newfoundland exports, and 10 per cent of New Brunswick exports.

For British Columbia, as for the Maritime provinces, declining fish stocks have been one factor behind the shrinking fishery product component of total exports. Future production increases for fishery products are likely to depend increasingly on aquaculture. If this industry is developed on a larger scale in future, fishery products could quickly be re-established as an expanding category of provincial exports.

Metallic Mineral Exports Dropping

Metallic minerals are another resource export category that has become less important in British Columbia than it once was.



From 11 per cent of total exports in 1990, metallic mineral products have shrunk to 6 per cent in 1998. There has also been a drop in actual dollar terms, from $1.9 billion to $1.5 billion.

Even so, British Columbia still ranked as one of the provinces most dependent on metallic mineral exports in 1998. The 6 per cent of British Columbia exports concentrated in metallic mineral products was exceeded only by 29 per cent for Newfoundland, 10 per cent for Quebec, and 8 per cent for Manitoba. The ratio for all Canada was 4 per cent.

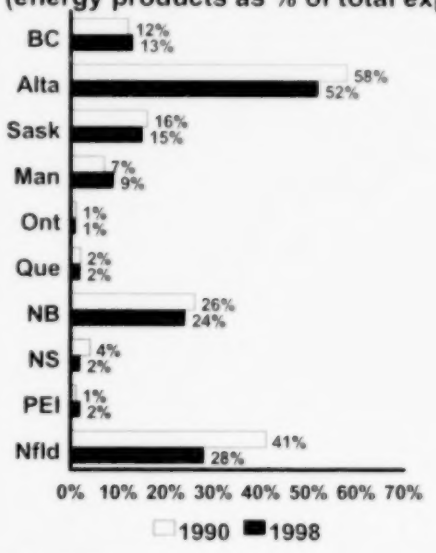
Natural Gas and Electricity Gaining Importance In Export Mix

British Columbia also ranks among Canada's major energy exporting provinces. Energy products such as coal, natural gas and electricity accounted for 13 per cent of all British Columbia exports in 1998, up from 12 per cent in 1990.

The commodity mix of British Columbia energy exports has been changing. Coal accounted for 74 per cent of energy product exports in 1990. But through most of this decade, coal exports have grown less quickly than exports of natural gas and electricity. By 1998, coal amounted to 55 per cent of the total value of energy products.

Over the same period, the natural gas portion of provincial energy exports grew from 12 per cent to 32 per cent. The electricity portion grew from 5 per cent to 10 per cent.

Energy Products An Important Part of British Columbia Export Mix



Petroleum and coal rich Alberta was far more dependent on energy exports than any other province, deriving 52 per cent of its 1998 export revenues from energy products. Ranking next after Alberta in dependence on energy exports was Newfoundland and Labrador, which generated 28 per cent of all export revenues from its abundant hydro-electric and offshore petroleum resources.

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Infoline

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BC at a glance . . .

POPULATION (thousands)	Jul 1/99	% change on one year ago
BC	4,029.3	0.7
Canada	30,568.0	0.9
GDP and INCOME		% change on
(BC - at market prices)	1997	one year ago
Gross Domestic Product (GDP) *($ millions)*	109,347	3.3
GDP *($ 1992 millions)*	98,201	2.2
GDP *($ 1992 per Capita)*	24,775	0.1
Personal Disposable Income *($ 1992 per Capita)*	16,340	-2.3
TRADE ($ millions)		
Manufacturing Shipments (seas. adj.) Jul	3,075	10.6
Merchandise Exports (raw) Aug	2,454	4.7
Retail Sales (seasonally adjusted) Aug	2,788	1.9
CONSUMER PRICE INDEX		% change on
(all items - 1992=100)	Sep '99	one year ago
BC	112.2	2.0
Canada	111.4	2.6
LABOUR FORCE (thousands)		% change on
(seasonally adjusted)	Sep '99	one year ago
Labour Force - BC	2,064	0.9
Employed - BC	1,899	1.2
Unemployed - BC	165	-1.9
		Sep '98
Unemployment Rate - BC *(percent)*	8.0	8.2
Unemployment Rate - Canada *(percent)*	7.5	8.3
INTEREST RATES (percent)	Oct 20/99	Oct 21/98
Prime Business Rate	6.25	7.00
Conventional Mortgages - 1 year	7.35	6.50
- 5 year	8.25	6.75
US/CANADA EXCHANGE RATE	Oct 20/99	Oct 21/98
(avg. noon spot rate) Cdn $	1.4902	1.5540
US $ *(reciprocal of the closing rate)*	0.6729	0.6472
AVERAGE WEEKLY EARNINGS		% change on
(industrial aggregate - dollars)	Jul '99	one year ago
BC	627.86	1.1
Canada	614.36	1.3

SOURCES:

Population, Gross Domestic Product, Trade, Prices, Labour Force, Earnings } Statistics Canada

Interest Rates, Exchange Rates: Bank of Canada Weekly Financial Statistics

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